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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, February 27, 2002

APPLICATION OF

NATIONAL COUNCIL ON COMPENSATION
INSURANCE, INC.

CASE NO. INS010190

For revision of voluntary
loss costs and assigned risk
workers' compensation
insurance rates

FINAL ORDER

The Commission heard the application filed in this matter on February 19, 2002. The National Council on Compensation Insurance, Inc. ("NCCI"), the Commission's Bureau of Insurance ("BOI"), the Division of Consumer Counsel, Office of the Attorney General ("OAG"), and respondents Washington Construction Employers Association and the Iron Workers Employers Association ("Respondents") appeared before the Commission by their counsel. By Order Granting Pre-Trial Motion entered on February 15, 2002, the pre-filed testimony and exhibits of NCCI witness Martin H. Wolf and BOI witness David C. Parcell were admitted into the record of this proceeding. The Commission has considered the record in its entirety.

Accordingly, IT IS ORDERED THAT:

- (1) The proposed target of .944 to adjust for experience-rating off-balance be, and it is hereby, disapproved; and in lieu thereof, a target of .948 shall be utilized;
- (2) The proposed swing limits of + or – 25% be, and they are hereby, disapproved; and in lieu thereof, swing limits of + or – 15% shall be utilized, as recommended by OAG witness Fauerbach;

(3) The proposed procedure to recognize the large medical claim be, and it is hereby, disapproved; and in lieu thereof, the procedure proposed by BOI witness Lefkowitz shall be utilized;

(4) It is requested that the working group, consisting of representatives of NCCI, BOI, OAG, and any other interested parties ("working group"): (a) study the servicing carrier allowance issue, including, but not limited to, the development of a competitive bidding or procurement structure and methodology and make recommendations accordingly; (b) study a method for gradually moving toward an off-balance of 1.000 and make recommendations accordingly; (c) study the swing limits proposal of BOI witness Ileo for future NCCI applications and make recommendations accordingly; and (d) continue to meet and seek consensus, to the extent possible, concerning any additional methodological and other issues of concern to members of the working group;

(5) NCCI and other persons participating in future NCCI voluntary loss costs and assigned risk rate applications before the Commission, when proposing methodologies or data sources that are different from the methodologies or data sources upon which the current voluntary loss costs and/or assigned risk rates and/or rating values are based, shall be required to disclose the voluntary loss costs and/or assigned risk rates or rating values effect of the change employing both the methodology it proposes to replace as well as the newly proposed methodology;

(6) In accordance with the adjustments ordered herein, NCCI shall revise its voluntary loss costs and assigned risk rates, as follows: (i) a decrease of 1.6% in industrial class voluntary loss costs; (ii) an increase of 0.3% in underground coal mines voluntary loss costs, prior to the application of the amended swing limits procedure adopted herein; (iii) an increase of

21.1% in surface coal mines voluntary loss costs, prior to the application of the amended swing limits procedure adopted herein; (iv) an increase of 19.3% in industrial class assigned risk rates; (v) an increase of 26.8% in underground coal mines assigned risk rates, prior to the application of the amended swing limits procedure adopted herein; and (vi) an increase of 38.3% in surface coal mines assigned risk rates, prior to the application of the amended swing limits procedure adopted herein;

(7) Except as otherwise ordered herein, the proposed revisions to voluntary loss costs, assigned risk rates, minimum premiums, rating values, rules, regulations, and procedures for writing workers' compensation voluntary loss costs and assigned risk rates that have been filed by NCCI in this proceeding on behalf of its members and subscribers be, and they are hereby, APPROVED for use with respect to new and renewal business issued to become effective on and after April 1, 2002; and

(8) NCCI, BOI, OAG, and the Respondents in this proceeding make their best efforts to recommend jointly to the Commission, on or before June 1, 2002, a proposed schedule for any year 2002 voluntary loss costs/assigned risk rate revision proceeding before the Commission. Such proposed schedule shall address: (i) the "pre-filing" of any discovery requests by BOI, OAG, and any other parties; (ii) the date on which NCCI proposes to file with the Commission any voluntary loss costs/assigned risk rate application and its direct testimony; (iii) the date on which NCCI proposes to respond to such pre-filed discovery requests; (iv) the dates for the pre-filing of the direct testimony of BOI, OAG and any respondent and the rebuttal testimony of NCCI; and (v) the date of any proposed hearing before the Commission.